

and 381(c) (10) for special rules with respect to deferred exploration expenditures in certain corporate acquisitions.

[T.D. 6500, 25 FR 11737, Nov. 26, 1960, as amended by T.D. 7192, 37 FR 12938, June 30, 1972]

§ 1.615-2 Deduction of pre-1970 exploration expenditures in the year paid or incurred.

(a) *In general.* (1) If the election to treat exploration expenditures under section 615 has been made or is deemed made under § 1.615-6(b) subject to the total limitation of \$100,000, a taxpayer who has made exploration expenditures prior to January 1, 1970, with respect to more than one mine or other natural deposit may deduct for a taxable year for which such election is effective any portion of such expenditures attributable to each mine or deposit. With respect to a particular mine or other natural deposit, a taxpayer who has made the election described in the preceding sentence may deduct under section 615(a) a portion of the exploration expenditures and may defer and deduct under section 615(b) the balance of such expenditures. For any taxable year for which the election to treat exploration expenditures under section 615 is effective, the taxpayer must charge any amount of exploration expenditures in excess of \$100,000 to capital account and must charge to capital account whatever amount has not been deducted currently or deferred. For example, taxpayer A who has elected under section 615(e) has three mines, X, Y, and Z. In the taxable year 1967, A makes exploration expenditures of \$75,000 with respect to each mine. The total allowable deduction for exploration expenditures is \$100,000. A deducts \$50,000 and defers \$25,000 with respect to X. He deducts \$25,000, and charges to capital account \$50,000 with respect to Y, and charges to capital account the entire \$75,000 paid with respect to Z. Thus, A has deducted or deferred \$100,000 and capitalized the excess.

(2) Except as provided in section 615(e) and § 1.615-6, a taxpayer cannot change his treatment of exploration expenditures for a taxable year after the due date (including extensions of time) for filing the return for the taxable

year except where it is subsequently determined that any part of such exploration expenditures deducted under section 615(a) or deferred under section 615(b) are not exploration expenditures for the taxable year. Where the taxpayer has made the election to treat exploration expenditures under section 615 and it is subsequently determined that part of the expenditures deducted under section 615(a) or deferred under section 615(b), for a taxable year, were not exploration expenditures for such taxable year, the exploration expenditures required to be charged to capital account for such taxable year by reason of the limitation may be deducted or deferred (to the extent of the subsequent determination) and proper adjustment made to capital account. A taxpayer claiming a deduction under section 615(a) shall indicate clearly on his income tax return the amount of the deduction claimed under such section with respect to each mine or other natural deposit. Such mine or deposit shall be identified by an adequate description.

[T.D. 7192, 37 FR 12938, June 30, 1972]

§ 1.615-3 Election to defer pre-1970 exploration expenditures.

(a) *General rule.* A taxpayer who makes the election provided in section 615(e) may defer any portion of the exploration expenditures made before January 1, 1970, with respect to each mine or other natural deposit, subject to the limitations described in section 615(c) and § 1.615-4. The amounts so deferred shall be deducted ratably as the units of produced ores or minerals discovered or explored by reason of such expenditures are sold.

(b) *Effect and manner of making election.* (1) The election to defer exploration expenditures shall apply only to expenditures for the taxable year for which made. However, once made, the election shall be binding with respect to the expenditures for that taxable year. Thus, a taxpayer cannot revoke his election for any reason whatsoever.

(2) The election shall be made for each mine or other natural deposit by a clear indication on the return or by a statement filed with the district director with whom the return was filed, not later than the time prescribed by law